February 13, 2015

Mr. Barry Mardock
Deputy Director, Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

RE: Proposed Capital Regulations for the Farm Credit System

Dear Mr. Mardock:

Please allow me express my appreciation for the Farm Credit Administration's willingness to tackle the issue of updating the Farm Credit System's Capital Regulations. Further, I would like to thank FCA for considering the Basel III framework when updating these regulations. I certainly believe that aligning our Capital measures with financial industry standards makes Farm Credit more attractive in the debt market. Going forward, investors in the financial institution bond market will no longer need to decipher a unique set of standards for a relatively small player in the debt issuance market. I would however implore the Farm Credit Administration to consider three changes to the Proposed Capital Regulations.

1) Remove the requirement for shareholder votes on capitalization bylaw changes.

Member/owners elect peer directors to oversee the operation of their common cooperative. As such, each owner delegates their fiduciary responsibility to such directors. It is unreasonable to expect that individual members will have sufficient information, perspective, and education to make a sound judgement on a capitalization bylaw vote. Further, I believe that when asked, the farmers and ranchers who own the Farm Credit Systems would acknowledge their own lack of understanding and defer to those directors who they elected to represent them. As borrowers of the Farm Credit System, directors are joined with members in a common vested interest in the success of their respective Farm Credit Entity. Because directors are not compensated with substantial stock options, they have no incentive to act in a manner other than what is in the long term best interest of the Farm Credit entity.

2) Eliminate 10 year revolvement requirements.

Farmers and ranchers are well versed in the concepts and ideals of the cooperative structure. Cooperative have been the standard model in rural America in everything from electric and telephone cooperatives to input supply and grain cooperatives. In fact, farmers are some of the most progressive leaders in identifying a common need among peers, formulating a mutually beneficial solution, and executing that solution in a cooperative structured entity. Unfortunately, nearly every community in rural America has a story about a failed cooperative, and the corresponding equity that was lost. I believe that the ideal that investments in cooperatives are fully at risk, and are an equity investment are completely ingrained in rural America.

3) Realign the proposed Tier 1 leverage requirement to match Basel III at 4%.

Placing Farm Credit's Tier 1 leverage ration at 5% could draw undue scrutiny to the Farm Credit System. Having a higher requirement than other financial institutions could cause investors to pause when analyzing a purchase of Farm Credit bonds. While aligning with Basel III enhances investor interest, having different standards causes confusion. Using a 4% leverage ratio with a 1% buffer would keep Farm Credit aligned with financial industry standards, yet achieve substantially similar safety and soundness objectives.

Thank you for the opportunity to comment on the Proposed Capital Regulations, and your willingness to consider the opinions of the members of the Farm Credit System.

Sincerely,

Matt Walther
member
Farm Credit MidAmerica